



State of California
Employment Training Panel

Arnold Schwarzenegger, Governor

October 2, 2008

John Le
General Manager
Solectron Corporation
1007 Gibraltar Drive, Building 7
Milpitas, CA 95035

Dear Mr. Le:

Enclosed is our final audit report relative to the Employment Training Panel Agreement No. ET04-0602 for the period December 30, 2003, through December 29, 2005.

The report indicates Solectron Corporation complied with the terms of the Agreement and the California Unemployment Insurance Code.

We appreciate the courtesy and cooperation extended to our auditor during the audit. If you have any questions, please contact Charles Rufo, Audit Director, at (916) 327-5439.

Sincerely,

Original signed by:

Charles Rufo
Audit Director

Enclosures

cc: Virginia Itani, Community Relations Manager

SOLECTRON CORPORATION

Agreement No. ET04-0602

Final Audit Report

For The Period

December 30, 2003, through December 29, 2005

Report Published October 2, 2008

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TABLE OF CONTENTS

	<u>Page Number</u>
AUDITOR'S REPORT	
Summary	1
Background	2
Objectives, Scope, and Methodology	2
Conclusion	3
Views of Responsible Officials	3
Records	4

AUDITOR'S REPORT

Summary

We performed an audit of Selectron Corporation, Agreement No. ET04-0602, for the period December 30, 2003, through December 29, 2005. Our audit pertained to training costs claimed by the Contractor under this Agreement. Our audit fieldwork was performed during the period July 23, 2007, through September 6, 2007.

The Employment Training Panel (ETP) paid the Contractor a total of \$800,060. Our audit supported that the entire \$800,060 is allowable.

AUDITOR'S REPORT (continued)

Background

Solectron Corporation (Solectron), founded in 1977, is a global provider of electronics manufacturing services (EMS) and integrated supply chain solutions. Solectron representatives state they serve the world's most innovative companies in industries that rely on high-tech electronics. In 2007, Solectron was acquired by Flextronics International Ltd.

This is the second Agreement with Solectron. Solectron representatives stated as a provider of prototype products such as cell phones, personal computers, and CD players, Solectron is being requested by its customers to design products without lead and certain chemicals. Thus, in order to conform to customer product needs, they need to expand their product line and implement new highly technical manufacturing processes that will require the use of new materials and equipment. Solectron is therefore requesting ETP assistance to retrain its staff in new skills for the manufacturing of products that are free of lead and hazardous chemicals. Solectron's training plan includes advanced technology, continuous improvement, business, computer, and manufacturing skills.

This Agreement allowed Solectron Corporation to receive a maximum reimbursement of \$801,632 for retraining 1,312 employees. During the Agreement term, the Contractor placed 786 trainees and was reimbursed \$800,060 by ETP.

Objectives, Scope, and Methodology

We performed our audit in accordance with *Government Auditing Standards*, promulgated by the United States General Accounting Office. We did not audit the financial statements of Solectron Corporation. Our audit scope was limited to planning and performing audit procedures to obtain reasonable assurance that Solectron Corporation complied with the terms of the Agreement and the applicable provisions of the California Unemployment Insurance Code.

Accordingly, we reviewed, tested, and analyzed the Contractor's documentation supporting training cost reimbursements. Our audit scope included, but was not limited to, conducting compliance tests to determine whether:

- Trainees were eligible to receive ETP training.
- Trainees received the minimum training hours specified in the Agreement.
- Trainees were employed continuously full-time with a single eligible employer for 90 consecutive days, or if participating in a

AUDITOR'S REPORT (continued)

recognized Work Share program, for 500 hours within 150 consecutive days, after completing training.

- The 90-day or 500-hour retention period was completed within the Agreement term.
- Trainees were employed in the occupation for which they were trained and earned the minimum wage required at the end of the 90-day, or 500 hour retention period.
- The Contractor's cash receipts agree with ETP cash disbursement records.

As part of our audit, we reviewed and obtained an understanding of the Contractor's management controls as required by *Government Auditing Standards*. The purpose of our review was to determine the nature, timing, and extent of our audit tests of training costs claimed. Our review was limited to the Contractor's procedures for documenting training hours provided and ensuring compliance with all Agreement terms, because it would have been inefficient to evaluate the effectiveness of management controls as a whole.

Conclusion	Our audit supported Solectron Corporation complied with the terms of the Agreement and the California Unemployment Insurance Code. As a result, the entire reimbursed amount of \$800,060 is allowable.
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Views of Responsible Officials	On September 5, 2007, ETP Auditor notified Virginia Itani, Community Relations Manager about the audit findings for 4 trainees. Ms. Itani concurred with the audit findings and agreed to repay the disallowance of \$1,572 for the 4 trainees prior to issuance of the final audit report. ETP received a check dated September 25, 2007, from the Contractor to repay the above disallowance with an additional \$165.12 in accrued interest.
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AUDITOR'S REPORT (continued)

Records

Please note the ETP Agreement, Paragraph 5 a.1., requires you to assure ETP or its representative has the right, "...to examine, reproduce, monitor and audit accounting source payroll documents, and all other records, books, papers, documents or other evidence directly related to the performance of this Agreement by the Contractor... This right will terminate no sooner than four (4) years from the date of termination of the Agreement or three (3) years from the date of the last payment from ETP to the Contractor, or the date of resolution of appeals, audits, or litigation, whichever is later."

Charles Rufo
Audit Director

Fieldwork Completion Date: September 6, 2007

This report is a matter of public record and its distribution is not limited. The report is intended for use in conjunction with the administration of ETP Agreement No. ET04-0602 and should not be used for any other purpose.